



SECTION 8

Agency Revenues and Fund Balance Reports

8.1 Summarized Revenues report

What is the Summarized Revenues report?

Agency revenue estimates are used to identify funds that support agency expenditure requests, and to assist in estimating statewide fund balances. The Summarized Revenues report form shows the revenues that are expected for budgeted funds in the ensuing biennia. The report also includes Recommendation Summary text for each revenue-related decision package entered. (This form replaces the old B-9 Revenues form. An example can be found on the budget forms page at <http://www.ofm.wa.gov/budget/forms.asp>.)

Who must submit the Summarized Revenues report?

Any agency that collects, deposits, transfers, or reports revenue for any budgeted account must complete and submit a Summarized Revenues report. Only those revenue transactions executed by an agency are reported by that agency. For example, the State Treasurer, rather than individual agencies, would report interest earnings (source 0408).

Be sure to include revenue related to both the operating and capital budgets on this form.

How is the data used?

The ensuing biennium revenue estimates from agencies are combined with beginning fund balances, working capital reserve, current biennium revenue actuals and estimates, and proposed expenditure data to determine an account's estimated 2007-09 ending fund balance.

What information is required?

Agencies must submit maintenance level and policy level revenue estimates for the 2007-09 Biennium by fiscal year, account, major source and source. Revenue estimates should be reported on a GAAP basis.



Revenue data

OFM no longer requires current biennium estimates for revenue. With one exception, total maintenance level revenue for the 2007-09 Biennium may be entered in a single step as one revenue-only decision package with the M1-90 code. The exception: the revenue adjustments related to a decision package for expenditure change requests should be included with that decision package and not included in the M1-90 package.

Agencies may still choose to enter information at the current biennium and carry-forward levels in BDS, but this information will be rolled together as a maintenance level total on the Summarized Revenue report and upon submittal to OFM.

Revenue changes that result from maintenance or performance level items should be captured in the same decision package as the expenditures for that item.

Separate policy level revenue items must be submitted in separate decision packages.

Explanation of Assumptions

In any decision package containing revenue, please include the following information in the decision package narrative.

- Key assumptions underlying the estimate of each revenue source.
- If the health and continued viability of the revenue source is in question, please discuss why and the expected impact.

What if an account is only partially budgeted?

When an account is partially budgeted, the agency should not report revenue associated with the non-budgeted portion of the account. Partially budgeted or mixed funds are generally proprietary funds. In proprietary funds where only the administrative costs are budgeted, only enough revenue should be submitted to offset the budgeted expenses. The administering agency should be sure that reported revenue is sufficient to cover the budgeted expenditures for all agencies that spend from that account. In budgeted proprietary funds that engage in sales of merchandise, gross profit (sales net of cost of sales) should be submitted in the budget rather than total sales revenue.

A reminder about balancing federal and private/local revenues and expenditures

For all accounts, federal revenue must equal federal expenditures shown in the agency's budget (both operating and capital), unless the agency receives federal revenue that is spent by another agency. In this case, federal revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'federal match by agency' rule include:

- State Treasurer, Fund 113-Common School Construction Account. The State Board of Education spends this on K-12 school construction.

- Military Department, Fund 05H-Disaster Response Account. Federal revenue will exceed expenditures by the amount of recovery dollars received when disasters are closed out. These dollars become state fund balance, which offsets federal expenditure variance.
- DSHS, Fund 001-General Fund Federal. After expenditures are settled, match revenue leaving a positive variance to offset negative variance in Veterans Affairs. These funds are Medicaid dollars booked at DSHS but spent at the Veterans Facility in Spokane.
- Department of Veterans Affairs, Fund 001-General Fund Federal. Negative variance is offset to positive variance at DSHS. Funds are Medicaid dollars booked at DSHS but spent at the Veterans Facility in Spokane.
- Employment Security, Fund 119-Unemployment Compensation Administration Account. Carry forward fund balance from previous biennium.

Similarly, private/local revenues must equal private/local expenditures shown in the agency's budget (both operating and capital), unless the agency receives private/local revenue that is spent by another agency. In this case, private/local revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'private local match by agency' rule include:

- Criminal Justice Training Commission, Fund 03M-Municipal Criminal Assistance Account. Carry forward fund balance from previous biennium.
- DSHS, Fund 001-General Fund Private/Local. After expenditures are settled, match revenue.
- DOH, Fund 001-General Fund Private/Local. Shellfish revenue collected by F&W and spent by DOH.
- Fish & Wildlife, Fund 001-General Fund Private/Local.
- Shellfish revenue collected by F&W and spent by DOH.

The Budget Development System (BDS) will produce a warning if federal or private/local revenues and expenditures are not in balance on the pre-release edit report.

Use BDS for preparing the report

Agencies must use the Budget Development System to prepare the Summarized Revenues report. BDS will generate the Summarized Revenues report based on the revenue entered in the decision packages. Please contact the BASS Helpdesk at (360) 725-5278 or bass-request@listserv.wa.gov if you need information about or access to the system.

Use prescribed revenue and source codes

Please use the correct two-digit major source code and two-digit source code to identify each type of revenue. Please refer to the list of official revenue source codes in the State Administrative and Accounting Manual (SAAM) for the appropriate revenue source codes and titles. (<http://www.ofm.wa.gov/policy/75.80.htm>)

Updating revenue estimates

OFM uses the Economic and Revenue Forecast and Transportation Councils' September and November forecasts for funds that they and participating agencies forecast. Other agencies that prepare revenue forecasts for dedicated funds are also required to provide updated data to OFM in September and November so that the most current estimates are used to determine budget levels.

8.2 Fund Summary and fund balancing

Fund administrators must coordinate with other agencies on the projected 2009 fund balance

Administering agencies for specific accounts need to coordinate with other agencies using that account to ensure that combined budget proposals do not put the account into a projected negative fund balance at the end of the 2007-09 Biennium.

If you have questions regarding which agency is considered the fund administrator, consult the Fund Reference Manual, which lists the administrator for each account, as well as other information. The Fund Reference Manual can be found on the OFM website at <http://www.ofm.wa.gov/fund/default.asp>.

OFM will send agencies the beginning budgetary fund balances that will be used for the budget

The Governor must prepare a budget proposal that is balanced for every account each biennium. Beginning fund balances for the current biennium are based on Comprehensive Annual Financial Report (CAFR) data. These balances are adjusted to create beginning “budgetary” or “spendable” fund balances and are not the same as ‘cash’ or ‘book’ balances. OFM will notify agencies in the spring of the adjusted beginning balances it plans to use based on the General Ledger (G/L) codes listed below.

Governmental Funds

In the case of Governmental Funds, all Revenue (32xx) and all Expenditure (65xx) codes and the following fund balance general ledger (G/L) codes are included in beginning fund balance:

- 9220 Prior Period Material Corrections
- 9221 Fund Type Reclassification Changes
- 9222 Accounting Policy Changes
- 9223 Fixed Asset Policy Changes
- 9510 Reserved for Encumbrances
- 9513 Reserved for Encumbrances for Reappropriated Capital Appropriations
- 9514 Reserved for Encumbrances for Continuing Operating Appropriations
- 9531 Reserved for Permanent Funds - Expendable Portion
- 9532 Reserved for Permanent Funds - Investment Losses
- 9578 Designated for Debt Service
- 9580 Other Designated Fund Balance
- 9590 Unreserved/Undesignated Fund Balance

Proprietary funds

In the case of proprietary funds, restricted and long-term assets and liabilities are removed by excluding the following G/L codes from beginning fund balances, thereby converting proprietary fund balances into meaningful budgetary balances. The G/L codes excluded in calculating the budgetary fund balance for proprietary funds are listed below:

Note: An x indicates all G/L codes within that series are excluded.

- 1130** Petty cash
- 1140** Cash with escrow agents
- 1150** Cash with fiscal agents
- 12xx** Investments (except 1205-Temp./Pooled Cash Investments)
- 1410** Consumable inventories
- 1440** Raw materials inventories
- 1450** Livestock
- 1510** Prepaid expenses

- 16xx** Long-term receivables (except 1656-Advances Due from Other Funds)
- 19xx** Other assets
- 2xxx** Fixed assets
- 3110** Approved estimated revenues
- 32xx** Accrued/Cash/Non-Cash Revenues
- 5114** Annuities payable, short-term
- 5118** Benefit claims payable, short-term
- 5125** Annual leave payable, short-term
- 5127** Sick leave payable, short-term
- 5128** Compensatory time payable, short-term
- 516x** Short-term portion of bonds payable
- 5172** Lease payable, short-term
- 5173** COP payable, short-term
- 5197** Obligations under securities lending agreements
- 52xx** Long-term liabilities (except 5256-Advances Due to Other Funds)
- 59xx** Other credits
- 61xx** Appropriations and estimated expenditures
- 62xx** Allotments
- 63xx** Reserves
- 6410** Encumbrances
- 65xx** Other Expenses
- 91xx** Budgetary control summary
- 92xx** Correction/Changes
- 93xx** Contributed capital and capital investments net of related debt
- 94xx** Retained Earnings
- 95xx** Reserves and designations
- 96xx** Other Reserve Accounts

8.3 Transfer Reconciliation Statement

When must a Transfer Reconciliation Statement be submitted?

Generally, operating revenue transfers balance at the agency level. When both sides of a transfer are not shown on the Summarized Revenues report (i.e., transfers between budgeted and non-budgeted funds), a Transfer Reconciliation Statement is required as part of the revenue justification material. This statement will assist the OFM analyst in understanding the purpose and mechanism for the complete transfer.

Here is a sample format for the Transfer Reconciliation Statement.

SOURCE 0621—TRANSFERS IN:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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SOURCE 0622—TRANSFERS OUT:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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8.4 Working Capital Reserve (B9-1)

Who must submit this statement?

The administering agency of a special revenue fund must also submit a Working Capital Reserve form (B9-1) listing the recommended ending fund balance for those accounts. (An example can be found on the budget forms page at <http://www.ofm.wa.gov/budget/forms.asp>.)

Use BDS for preparing the report

Agencies use the Budget Development System to prepare this report. BDS includes the appropriate worksheet and prints the report.

Things to consider when estimating a reasonable working capital reserve

The agency should enter the working capital reserve that, in its judgment, should remain in the account at the end of each biennium to cover fluctuations in cash flow. For most funds, a reasonable amount would be sufficient to cover two months' worth of cash expenditures.

The recommended balance should be entered for each account that needs a working capital reserve. There is no need to indicate a source code.

The recommended ending balance should include a cash reserve sufficient to ensure the account does not end the biennium with a negative cash balance. Administering agencies may find it prudent to recommend a higher ending balance because of volatile revenues, unique cash-flow cycles, or to offset an operating deficit in the ensuing biennium. Administering agencies should ensure sufficient balance to cover compensation, central service agency charge increases, and other cost adjustments typically made by OFM after agency budgets have been submitted.

Since only administering agencies may enter a recommended reserve, they should contact any other agencies operating in the account to determine the impact of those operations before recommending an ending balance.

8.5 How to avoid common revenue errors

Reminders

Here are some helpful reminders to avoid errors in calculating your agency's revenue estimates:

- Match federal and private/local revenue to the combined expenditures of both the operating and capital budgets for the biennium. (See Section 8.1 for a list of exceptions.)
- Ensure there are sufficient revenues to cover dedicated account expenditures.
- Do not submit estimates for revenue that is actually collected by another agency.
- Include revenue that is collected by your agency, even if spent by another agency.
- Do not include interest earnings (Source 0408) since these are part of the Treasurer's Office estimates.
- Do not forget to provide estimates for sources resulting from recently passed revenue legislation.